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Message Text

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TO USMISSION USNATO PRIORITY

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E.O. 11652: GDS

TAGS: NATO, ETEL

SUBJECT: NATO SATCOM IV SPACE SEGMENT

TO ASSURE THAT OUR ALLIES FULLY UNDERSTAND IMPACT OF
NATO DECISION TO ISSUE ICB FOR NATO SATCOM IV SPACE
SEGMENT, REQUEST THAT YOU PROVIDE THEM WITH STATEMENT
ALONG FOLLOWING LINES. WE INTEND TO ENTER STATEMENT
INTO RECORD AT FALL NJCEC PLENARY DURING DISCUSSION OF
THIS ISSUE:

BEGIN STATEMENT

AFTER THE JULY 14, 1978 SPECIAL NJCEC MEETING, WE RE-
VIEWED THE IMPACT OF A DECISION BY NATO TO PROCEED WITH
ICB FOR THE NATO IV SPACE SEGMENT ON THE US GOVERNMENT'S
OFFER TO NATO TO JOIN THE DSCS III PROGRAM. INASMUCH
AS OUR CONCLUSIONS HAVE A POTENTIAL IMPACT ON INFRASTRUCT-
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URE FUNDS, WE BELIEVE IT WOULD BE USEFUL TO SHARE
THE RESULTS OF OUR REVIEW WITH YOU.

YOU WILL RECALL THAT AS A RESULT OF OUR SPECIAL MEETING,
THE NJCEC INVITED THE DG, NICSMA, TOGETHER WITH STC,
TO PREPARE AN OUTLINE SPECIFICATION THAT WOULD NOT
PRECLUDE THE DSCS III AS AN ELIGIBLE SOLUTION, AND WHICH

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COULD FORM THE BASIS OF AN ICB FOR A NATO IV SPACE SEGMENT. IT WAS APPARENT THAT SOME OF OUR ALLIES HELD THE VIEW THAT THE DSCS III CONTRACTOR COULD BID THE DSCS III AT A COST COMPARABLE TO THE US OFFER, OR IF BIDS FOR THE NATO IV SATELLITES WERE MORE EXPENSIVE, NATO WOULD HAVE THE OPTION TO REVERT TO THE PREVIOUS US OFFER. TO AVOID ANY MISUNDERSTANDING, WE BELIEVE IT WOULD BE HELPFUL TO REVIEW BRIEFLY THE US GOVERNMENT OFFER AND TO EXPLAIN THE POSSIBLE IMPACTS OF AN ICB APPROACH TO IT.

AS WE POINTED OUT IN THE PAST, THE COST TO NATO OF JOINING THE DSC III PROGRAM WOULD BE APPROXIMATELY 104 MILLION DOLLARS. FOR THAT AMOUNT OF MONEY, NATO WOULD RECEIVE TWO SATELLITES INCLUDING LAUNCH AND LAUNCH SERVICES, WOULD SHARE A THIRD SATELLITE THAT WOULD BE A COMMON SPARE FOR THE UNITED STATES AND NATO, AND WOULD RECEIVE THE BENEFIT OF SAMSO MANAGEMENT SERVICES.

REALIZING, HOWEVER, THAT SOME NATIONS MIGHT WANT TO PARTICIPATE IN SATELLITE PRODUCTION, WE EXPANDED OUR OFF-ER TO INCLUDE ABOUT 25 PERCENT PRODUCTION SHARING OF THE DSCS III SATELLITE. FOR THIS OPTION, AN INCREASE OF SOME 10 TO 15 PERCENT IN PROGRAM COSTS WOULD BE NEEDED TO COV-ER PROCUREMENT, TEST AND INTEGRATION OF SUBSYSTEMS THAT WOULD BE PRODUCTION SHARED. ADDITIONALLY, SOME SAMSO COSTS WOULD BE INCURRED FOR ASSISTANCE TO NICSMA IN CONFIDENTIAL

MANAGEMENT OF A PRODUCTION SHARED PROGRAM.

ONCE AN INVITATION FOR BID UNDER ICB IS RELEASED, THE US GOVERNMENT OFFERS ARE NO LONGER VALID. WE CANNOT SHOW FAVORITISM TOWARD ANY U.S. CONTRACTOR. WE MUST BE COMPLETELY IMPARTIAL. WHETHER US CONTRACTORS BID AS PRIME OR SUB, OR HOW THEY PROPOSE TO MEET THE ICB SPECIFICATIONS IS A MATTER FOR THE INDIVIDUAL COMPANIES TO DECIDE. WE CAN HAVE NO INFLUENCE OVER WHETHER A COMPANY WILL BID, WHAT IT WILL BID, OR THE COSTS IT WILL BID. FOR EXAMPLE, IF THE DSCS III CONTRACTORS DECIDE TO BID THE NATO PROGRAM, THEY MAY OR MAY NOT BID THE DSCS III SPACE SEGMENT. IN ANY CASE, WE BELIEVE COSTS TO NATO WILL BE SIGNIFICANTLY HIGHER THAN THOSE PROPOSED IN THE US GOVERNMENT OFFERS.

FOR US PRIME OR SUB CONTRACTORS, EXPORT LICENSES MUST BE OBTAINED. ADDITIONALLY, THE LAW PROVIDES THAT, FOR A SALE OF THIS TYPE, RECOUPMENT OF GOVERNMENT R AND D COSTS CAN ONLY BE REDUCED OR WAIVED ON A CASE BY CASE BASIS.

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THE PREVIOUS USG OFFER TO WAIVE RDT AND E RECOUPMENT
AND TO PROVIDE SPACE TRANSPORTATION SYSTEM (STS) LAUNCH
SERVICES AT FAVORABLE DOD RATES WILL NO LONGER BE VALID.
NASA IS REQUIRED BY UNITED STATES CODE (USERS CHARGES
STATUTE, 31 USC SECTION 483A) TO ESTABLISH A PRICING
POLICY BASED ON REIMBURSEMENT FOR DIRECT (RECURRING)
CHARGES AND AN AMORTIZED AMOUNT OF IN-DIRECT (NON-
RECURRING) CHARGES. SPECIFIC PRICING POLICIES HAVE BEEN
DEVELOPED FOR SEVERAL CATEGORIES OF POTENTIAL USERS,
INCLUDING FOREIGN GOVERNMENTS AND PRIVATE OR PUBLIC
ORGANIZATIONS OF FOREIGN COUNTRIES. IF THE NATO SATCOM
IV IS NOT IDENTIFIED AS A DOD COOPERATIVE PAYLOAD, THE
APPLICABLE CHARGE COULD BE 2 TIMES MORE THAN THE DOD
STS CHARGE. ALTHOUGH A MEMORANDUM OF AGREEMENT (MOA)
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COULD BE NEGOTIATED DIRECTLY BETWEEN NASA AND A FOREIGN
GOVERNMENT OR ORGANIZATION FOR STS LAUNCH SERVICES, A
SEPARATELY NEGOTIATED MOA WITH NASA WOULD STILL BE
NECESSARY TO DEFINE SPECIFIC MANAGEMENT AND TECHNICAL
RESPONSIBILITIES.

IN SUMMARY, WE WISH TO MAKE IT CLEAR AGAIN THAT ONCE
NATO DECIDES TO ISSUE AN ICB FOR THE NATO IV SPACE
SEGMENT, THE US GOVERNMENT MUST FOLLOW PROCUREMENT
POLICIES AND PRACTICES WITH RESPECT TO PRIVATE INDUSTRY
THAT ARE IMPARTIAL. AN ICB APPROACH REVOKES PREVIOUS US
GOVERNMENT OFFERS, INVALIDATES COST ESTIMATES, AND
PRECLUDES REINSTITUTION OF DIRECT US GOVERNMENT INVOLVE-
MENT IN NATO IV PROCUREMENT. THERE IS NO ASSURANCE THAT
AN UNMODIFIED OR MODIFIED DSCS III SPACE SEGMENT WILL BE
BID. ALL POTENTIAL CONTRACTORS MUST RECEIVE EQUAL
TREATMENT FROM NATO AND NATO NATIONS. FINALLY, WE CANNOT
PREDICT HOW THE LOWEST QUALIFIED BID UNDER ICB WILL
COMPARE WITH THE EXISTING US GOVERNMENT OFFER. BUT EVEN
IF IT IS SIGNIFICANTLY HIGHER, WE SEE NO WAY TO REIN-
STITUTE THE PREVIOUS US GOVERNMENT OFFER, THUS REQUIRING
NATO TO SPEND ADDITIONAL MILLIONS OF INFRASTRUCTURE
ACCOUNTING UNITS THAT COULD MORE EFFECTIVELY BE APPLIED
TO URGENT NATO PROJECTS.
END OF STATEMENT.
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